

TOWNSHIP OF SEBEWA  
IONIA COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sebewa Township	County Ionia
Fiscal Year End March 31, 2006	Opinion Date July 25, 2006	Date Audit Report Submitted to State September 4, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

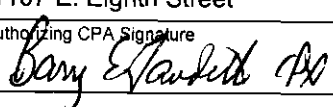
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

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## INTRODUCTORY SECTION

TOWNSHIP OF SEBEWA  
LIST OF ELECTED OFFICIALS  
MARCH 31, 2006

ELECTED OFFICIALS

James A. Stank	Supervisor
Carol Leak	Clerk
LaVern E. Carr	Treasurer
Grayden Slowins	Trustee
Ken David	Trustee

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Township of Sebewa  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sebewa, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewa, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sebewa, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Sebewa  
Independent Auditors' Report  
Page Two

As described in Note IV(c), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Barry E. Vaudette, CPA, PC*

July 25, 2006



## **BASIC FINANCIAL STATEMENTS**

Township of Sebewa  
Government-Wide Financial Statements  
Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 303,100
Taxes receivable	8,870
Due from other funds	2,866
Capital assets (net of accumulated depreciation):	
Land and improvements	9,000
Buildings and improvements	<u>132,039</u>
Total assets	<u>455,875</u>
 <b>LIABILITIES</b>	
Accounts payable	<u>58,437</u>
Total liabilities	<u>58,437</u>
 <b>NET ASSETS</b>	
Invested in capital assets	141,039
Unrestricted	<u>256,399</u>
Total net assets	<u><u>\$ 397,438</u></u>

See notes to financial statements

Township of Sebewa  
Government-Wide Financial Statements  
Statement of Activities  
For the Year Ended March 31, 2006

<u>Functions /Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative	\$ 15,385	\$	\$	\$
General				
Government	52,941	2,900		
Public safety	65,715			
Public works	69,783			3,793
Parks & recreation	350			
Other	<u>12,109</u>			
Total governmental activities	<u>\$ 216,283</u>	<u>\$ 2,900</u>	<u>\$</u>	<u>\$ 3,793</u>

General revenues:  
Property taxes  
Licenses and permits  
State revenue sharing  
Interest earnings  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 15,385)

( 50,041)

( 65,715)

( 65,990)

( 350)

( 12,109)

( 209,590)

149,753

800

87,447

8,094

-

246,094

36,504

360,934

\$ 397,438

Township of Sebewa  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 147,518	\$ 155,582	\$ 303,100
Taxes receivable	8,870		8,870
Due from other funds	<u>2,866</u>	<u>          </u>	<u>2,866</u>
Total assets	<u>\$ 159,254</u>	<u>\$ 155,582</u>	<u>\$ 314,836</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	<u>\$ 58,437</u>	<u>\$           </u>	<u>\$ 58,437</u>
Total liabilities	<u>58,437</u>	<u>          </u>	<u>58,437</u>
Fund balances			
Unreserved,			
reported in:			
General fund	\$ 100,817	\$	\$ 100,817
Capital improvement fund	<u>          </u>	<u>155,582</u>	<u>155,582</u>
Total fund balances	<u>100,817</u>	<u>155,582</u>	<u>256,399</u>
Total liabilities and fund balances	<u>\$ 159,254</u>	<u>\$ 155,582</u>	<u>\$ 314,836</u>

See notes to financial statements

Township of Sebewa  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2006

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 256,399
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	214,081
Accumulated depreciation	<u>( 73,042)</u>

Total Net Assets - Governmental Activities	<u>\$ 397,438</u>
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See notes to financial statements

Township of Sebewa  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2006

	<u>General</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes & adm. fees	\$ 149,753	\$	\$ 149,753
Licenses & permits	800		800
State revenue sharing	87,447		87,447
State aid-other	3,793		3,793
Charges for services	2,400		2,400
Interest earnings	4,825	3,269	8,094
Miscellaneous other revenue	500		500
Total revenues	<u>249,518</u>	<u>3,269</u>	<u>252,787</u>
<b>EXPENDITURES</b>			
Current:			
Legislative	15,385		15,385
General government	51,270		51,270
Public safety	65,715		65,715
Public works	69,783		69,783
Parks & recreation	350		350
Other	145,819		145,819
Total expenditures	<u>348,322</u>	<u></u>	<u>348,322</u>
Net changes in fund balances	( 98,804)	3,269	( 95,535)
Fund balances-beginning	<u>199,621</u>	<u>152,313</u>	<u>351,934</u>
Fund balances-ending	<u>\$ 100,817</u>	<u>\$ 155,582</u>	<u>\$ 256,399</u>

See notes to financial statements

Township of Sebewa  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$( 95,535)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (were less than) depreciation in the current period.	<u>132,039</u>
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Change in net assets of governmental activities	<u>\$ 36,504</u>
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See notes to financial statements



Township of Sebewa  
Statement of Fiduciary Funds  
Fiduciary Funds  
March 31, 2006

	<u>Cemetery Trust Fund</u>	<u>Tax Collection Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,671	\$ 2,866
Total assets	<u>3,671</u>	<u>2,866</u>
<b>LIABILITIES</b>		
Due to other funds		2,866
Due to other governmental units	<u>          </u>	<u>          </u>
Total liabilities	<u>          </u>	<u>2,866</u>
<b>NET ASSETS</b>		
Held in trust for other purposes	<u>\$ 3,671</u>	<u>\$</u>

See notes to financial statements

Township of Sebewa  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended March 31, 2006

	<u>Cemetery Trust Fund</u>	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>		
Property tax collections and fees	\$	\$ 839,676
Interest earned	<u>                    </u>	<u>181</u>
Total additions	<u>                    </u>	<u>839,857</u>
<b>DEDUCTIONS</b>		
Payments to general fund		149,753
Payments to other governmental units	<u>                    </u>	<u>690,104</u>
Total deductions	<u>                    </u>	<u>839,857</u>
Changes in net assets		
Net assets - beginning	<u>                    </u>	<u>                    </u>
Net assets - ending	<u>\$                    </u>	<u>\$                    </u>

See notes to financial statements

**Township of Sebewa**  
**Notes to the Financial Statements**  
**March 31, 2006**

**I. Summary of significant accounting policies**

The financial statements of the Township of Sebewa (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Ionia County, which advances the Township 100% for the delinquent taxes.

The 2005 taxable valuation of the Township totaled \$29,876,629, on which ad valorem taxes levied consisted of .8221 mills for Township operating purposes and voted millage of 1.9598 mills for road maintenance purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$8,153 to collect the taxes and applicable interest. There was also a special assessment for the fire district of \$58,437.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *capital improvement fund* is a special revenue fund.

The Township reports the following fiduciary funds:

The *cemetery trust fund* is an expendable trust fund. The measurement focus of expendable trust funds is the same as for governmental funds.

The *tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**2. Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

**3. Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**4. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets

are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Furniture and fixtures	5
Equipment	5

#### **5. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Township of Sebewa does not have any long-term obligations.

#### **6. Fund equity**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **7. Comparative data/reclassifications**

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be

consistent with the current year's presentation.

## **II. Stewardship, compliance, and accountability**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and the capital improvement fund.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year



with the last one approved prior to April 1st.

**B. Excess of expenditures over appropriations**

For the year ended March 31, 2006, expenditures exceeded appropriations in the activities of fire department, fire donation, roads, unemployment taxes, and capital outlay (the legal level of budgetary control) of the general fund by \$437, \$500, \$6,918, \$602, and \$133,710, respectively. This overexpenditure was funded by the available fund balance in the general fund.

**III. Detailed notes on all funds**

**A. Deposits, investments and credit risk**

**Deposits**

At year-end, the carrying amount of the Township's deposits were \$309,637 (includes \$2,866 in the Tax Collection Fund and \$3,671 in the Cemetery Trust Fund) and the bank balance was \$311,694, of which \$311,694 was covered by federal depository insurance.

**Investments**

The Township did not have any investments as of March 31, 2006.

*Interest Rate Risk* - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Rate Risk* - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National

Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages.

- |    |                                  |   |          |
|----|----------------------------------|---|----------|
| 1. | U.S. Treasury Notes              | - | 100%; or |
| 2. | U.S. Treasury Notes and/or Bonds | - | 75% and  |
| 3. | Mortgage Backed Securities       | - | 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer. All of the Township's investments would be reported in the General and Capital Improvement Funds if there were any investments.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 303,100</u>
Cash and cash equivalents:	
General and capital improvement funds	\$ 305,157
Checks written in excess of deposits	<u>( 2,057)</u>
Total	<u>\$ 303,100</u>

**B. Receivables**

The Township does not have any material receivables as of March 31, 2006.

### C. Capital assets

Capital asset activity for the year ended March 31, 2006  
was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 9,000	\$	\$	\$ 9,000
Capital assets, being depreciated:				
Buildings & improvements:				
Township hall	25,000	133,710		158,710
Cemetery building	4,359			4,359
Cemetery equipment	21,938			21,938
Equipment	<u>20,074</u>			<u>20,074</u>
Total capital assets being depreciated	<u>71,371</u>	<u>133,710</u>		<u>205,081</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Township hall	( 25,000)	( 1,671)		( 26,671)
Cemetery building	( 4,359)			( 4,359)
Cemetery equipment	( 21,938)			( 21,938)
Equipment	<u>( 20,074)</u>			<u>( 20,074)</u>
Total accumulated depreciation	<u>( 71,371)</u>	<u>( 1,671)</u>		<u>( 73,042)</u>
Total capital assets, being depreciated, net		<u>132,039</u>		<u>132,039</u>
Governmental activities capital assets, net	<u>\$ 9,000</u>	<u>\$ 132,039</u>	<u>\$</u>	<u>\$ 141,039</u>

Depreciation expense was charged to functions/programs of the  
government as follows:

Governmental activities:	
General government	\$ 1,671
Total depreciation expense- governmental activities	<u>\$ 1,671</u>

**D. Interfund receivables, payables, and transfers**

Interfund transfers:

	<u>Transfer In:</u>	
Transfer out:	<u>Capital Improvement Fund</u>	<u>Total</u>
General fund	\$ -	\$ -
Total transfers out	<u>\$ -</u>	<u>\$ -</u>

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 2,866</u>

**IV. Other information**

**A. Risk management**

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

**B. Pension plan**

The Township paid \$5,330 to fund a defined contribution pension plan for its salaried employees for the fiscal year 2005/06. The plan is funded by both the employees (25%) and the Township (75%). The pension plan was effective as of April 1, 1984. There is no minimum age or service requirement. Voluntary non-deductible contributions are allowed between 1% to 10% of compensation. Vesting is 100% upon completion of 20 months of service. The vested benefit attributable to employer contributions is available in cash. The normal retirement age is when attaining age 65 or if later on the 10th anniversary of entry date. An optional retirement is permitted any time after age 55.

### **C. Implementation of new accounting standard**

As of and for the year ended March 31, 2006, the Township implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

## **Required Supplementary Information**

Township of Sebewa  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$158,791	\$ 158,791	\$149,753	\$ ( 9,038)
Licenses & permits	800	800	800	
State revenue sharing	82,000	82,000	87,447	5,447
State aid-other			3,793	3,793
Charges for services	1,300	1,300	2,400	1,100
Interest earnings	2,500	2,500	4,825	2,325
Miscellaneous other revenue	500	500	500	
Total revenues	<u>245,891</u>	<u>245,891</u>	<u>249,518</u>	<u>3,627</u>
<b>EXPENDITURES</b>				
Current:				
Legislative:				
Township board	<u>23,050</u>	<u>23,050</u>	<u>15,385</u>	<u>7,665</u>
General government:				
Supervisor	3,300	3,300	3,300	
Treasurer	11,000	11,000	11,000	
Assessor	7,700	7,700	7,700	
Clerk	11,000	11,000	11,000	
Elections	2,000	2,000	71	1,929
Hall & grounds	3,000	3,000	1,187	1,813
All other general government:				
Board of review	600	600	600	
Audit	2,400	2,400	2,200	200
Attorney fees	500	500		500
Insurance-general	4,500	4,500	3,932	568
Cemetery	<u>10,800</u>	<u>10,800</u>	<u>10,280</u>	<u>520</u>
Total general government	<u>56,800</u>	<u>56,800</u>	<u>51,270</u>	<u>5,530</u>

Township of Sebewa  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>EXPENDITURES (CONTINUED):</b>				
Current:				
Public safety:				
Fire department	58,000	58,000	58,437	( 437)
Fire donation			500	( 500)
Ambulance	<u>24,000</u>	<u>24,000</u>	<u>6,778</u>	<u>17,222</u>
Total public safety	<u>82,000</u>	<u>82,000</u>	<u>65,715</u>	<u>16,285</u>
Public works:				
Drain at large	10,000	10,000	6,865	3,135
Roads	<u>56,000</u>	<u>56,000</u>	<u>62,918</u>	<u>( 6,918)</u>
Total public works	<u>66,000</u>	<u>66,000</u>	<u>69,783</u>	<u>( 3,783)</u>
Parks & recreation:				
Park services	<u>1,100</u>	<u>1,100</u>	<u>350</u>	<u>750</u>
Other:				
Insurance:				
Group	5,000	5,000	2,948	2,052
Workmen's comp.	1,200	1,200	965	235
Pension	6,000	6,000	4,360	1,640
Unemployment taxes			602	( 602)
Payroll taxes	3,500	3,500	3,234	266
Capital outlay	<u></u>	<u></u>	<u>133,710</u>	<u>( 133,710)</u>
Total other	<u>15,700</u>	<u>15,700</u>	<u>145,819</u>	<u>( 130,119)</u>
Total expenditures	<u>244,650</u>	<u>244,650</u>	<u>348,322</u>	<u>( 103,672)</u>
Net change in fund balances	1,241	1,241	( 98,804)	( 100,045)
Fund balances-beginning	<u>73,959</u>	<u>73,959</u>	<u>199,621</u>	<u>125,662</u>
Fund balances-ending	<u>\$ 75,200</u>	<u>\$ 75,200</u>	<u>\$100,817</u>	<u>\$ 25,617</u>

See notes to financial statements



Township of Sebewa  
Capital Improvement Fund  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Interest earnings	\$ 1,000	\$ 1,000	\$ 3,269	\$ 2,269
Total revenues	1,000	1,000	3,269	2,269
<b>EXPENDITURES</b>				
Current:				
Public works:				
Road commission				
Total expenditures				
Excess of revenues over expenditures	1,000	1,000	3,269	2,269
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in				
Net change in fund balances	1,000	1,000	3,269	2,269
Fund balances- beginning	153,267	153,267	152,313	( 954)
Fund balances- ending	<u>\$ 154,267</u>	<u>\$ 154,267</u>	<u>\$155,582</u>	<u>\$ 1,315</u>

See notes to financial statements

Members of the Township Board  
Township of Sebewa  
Ionia County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of the Township Board and the Michigan Department of Treasury and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

July 25, 2006